

mechanism should be designed with the express goal of limiting universal service support.

The Commission should consider specific methods to accomplish the goal of limiting the size of the fund. To start, it could consider specific suggestions raised in the comments to this proceeding.⁴⁸ However, to the extent that the Commission considers specific suggestions made by commenters regarding the appropriate way to limit the fund, the Commission should recognize that adopting any particular approaches at this point may be premature. The Commission must first decide exactly how the fund will operate. For example, presently, it would be difficult to establish a per-institution cap to rely on when allocating support to schools and libraries, as AT&T suggests in its comments. It is virtually impossible to predict the requisite amount needed for schools and libraries before the fund is established. The cap that AT&T proposes fails for many of the same reasons that the \$2.25 billion cap recommended by the Joint Board⁴⁹ should not be adopted at this point. Put simply, it is impossible to predict the cost of the subsidies at issue without first adopting a working funding mechanism. Until this has been accomplished, the Commission cannot reasonably establish an

⁴⁸ Id.

⁴⁹ Recommended Decision at para. 556.

annual cap that will cover all discounted services for schools and libraries or a per-institution cap to allocate that support.

VIII. **The Commission should take steps to ensure that it makes accurate determinations about which carriers should be considered rural carriers.**

The Commission's efforts to reach accurate determinations about which carriers should be considered rural carriers and thus, qualify to receive the corresponding subsidies, are crucial. TW Comm agrees with AT&T that the Commission should consider establishing a formal process to certify rural carriers.⁵⁰ However, the FCC should also consider other methods of making that determination. The best method to use when considering its options would be to establish a proceeding and issue a Notice of Inquiry or Notice of Proposed Rulemaking requesting comments on how best to determine which carriers are rural carriers for purposes of allocating support.

CONCLUSION

In these reply comments, TW Comm seeks to assist the Commission with its efforts to implement a workable universal service fund. Specifically, TW Comm seeks to assist the Commission with its efforts to harmonize the most significant of the RD's inconsistencies, clarify those recommendations that are not readily interpretable, and reach determinations regarding

⁵⁰ AT&T Comments at 27-28.

those unresolved issues that are central to achieving universal service objectives. TW Comm emphasizes that the Commission must ensure that high cost assistance calculation and distribution is accomplished in a competitively neutral manner. By adopting the recommendations contained in TW Comm's December 19, 1996 comments, as well as these reply comments, the Commission will substantially further the goals of Section 254 of the 1996 Act.

Respectfully submitted,

**TIME WARNER COMMUNICATIONS
HOLDINGS, INC.**

By: 

David R. Poe
Catherine P. McCarthy
Yvonne M. Coviello

Its Attorneys

LeBoeuf, Lamb, Greene
& MacRae LLP
1875 Connecticut Avenue, NW
Suite 1200
Washington, DC 20009

Economic Consultants:
Lee L. Selwyn
Susan M. Baldwin
Helen E. Golding
Economics and Technology, Inc.
One Washington Mall
Boston, MA 02108

Paul B. Jones
Janis A. Stahlhut
Donald F. Shepherd
Time Warner Communications
Holdings, Inc.
300 First Stamford Place
Stamford, CT 06902-6732

Dated: January 10, 1997

SERVICE LIST

Office of the Secretary*
Federal Communications Commission
1919 M Street, N.W.
Washington, DC 20554

The Honorable Rachelle B. Chong,*
Commissioner
Federal Communications Commission
1919 M Street, N.W., Room 844
Washington, D.C. 20554

Honorable Julia Johnson, Commissioner
Florida Public Service Commission
2540 Shumard Oak Blvd.
Gerald Gunter Building
Tallahassee, FL 32399-0850

The Honorable Sharon L. Nelson, Chairman
Washington Utilities and Transportation
Commission
P.O. Box 47250
Olympia, WA 98504-7250

Martha S. Hogerty
Public Counsel for the State of Missouri
P.O. Box 7800
Jefferson City, MO 65102

Paul E. Pederson
State Staff Chair
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102

Charles Bolle
South Dakota Public Utilities Commission
State Capitol, 500 E. Capitol Street
Pierre, SD 57501-5070

The Honorable Reed E. Hundt, Chairman*
Federal Communications Commission
1919 M Street, N.W., Room 814
Washington, DC 20554

The Honorable Susan Ness, Commissioner*
Federal Communications Commission
1919 M Street, N.W., Room 832
Washington, DC 20554

The Honorable Kenneth McClure,
Commissioner
Missouri Public Service Commission
301 W. High Street, Suite 530
Jefferson City, MO 65101

The Honorable Laska Schoenfelder,
Commissioner
South Dakota Public Utilities Commission
State Capitol, 500 E. Capitol Street
Pierre, SD 57501-5070

Anna Gomez
Federal Staff Chair
Federal Communications Commission
2100 M Street, N.W., Room 8617
Washington, D.C. 20036

Lisa Boehley
Federal Communications Commission
2100 M Street, N.W. Room 8605
Washington, D.C. 20554

Deonne Bruning
Nebraska Public Service Commission
300 The Atrium
1200 N Street, P.O. Box 94927
Lincoln, NE 68509-4927

James Casserly
Senior Legal Advisor
Office of Commissioner Susan Ness
Federal Communications Commission
1919 M Street, Room 832
Washington, D.C. 20554

Bryan Clopton
Federal Communications Commission
2100 M Street, N.W., Room 8615
Washington, D.C. 20554

Daniel Gonzalez*
Legal Advisor
Office of Commissioner Rachelle B. Chong
Federal Communications Commission
1919 M Street, N.W., Room 844
Washington, D.C. 20554

L. Charles Keller
Federal Communications Commission
2100 M Street, N.W., Room 8918
Washington, D.C. 20554

David Drech
Federal Communications Commission
2025 M Street, N.W., Room 7130
Washington, D.C. 20554

Diana Law
Federal Communications Commission
2100 M Street, N.W., Room 8920
Washington, D.C. 20554

Robert Loube
Federal Communications Commission
2100 M Street, N.W., Room 8914
Washington, D.C. 20554

Sandra Makeeff
Iowa Utilities Board
Lucas State Office Building
Des Moines, IA 50319

John Clark
Federal Communications Commission
2100 M Street, N.W., Room 8619
Washington, DC 20554

Irene Flannery Federal Communications
Commission
2100 M Street, N.W., Room 8922
Washington, D.C. 20554

Emily Hoffnar
Federal Communications Commission
2100 M Street, N.W., Room 8623
Washington, D.C. 20554

Lori Kenyon
Alaska Public Utilities Commission
1016 West Sixth Avenue, Suite 400
Anchorage, AK 99501

Debra M. Kriete
Pennsylvania Public Utilities Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Mark Long
Florida Public Service Commission
2540 Shumard Oak Blvd.
Gerald Gunter Building
Tallahassee, FL 32399

Samuel Loudenslager
Arkansas Public Service Commission
P.O. Box 400
Little Rock, AR 72203-0400

Philip F. McClelland
Pennsylvania Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, Pennsylvania 17120

Michael A. McRae
D.C. Office of the People's Counsel
1133 15th Street, N.W. -- Suite 500
Washington, D.C. 2005

Terry Monroe
New York Public Service Commission
3 Empire Plaza
Albany, NY 12223

Mark Nadel
Federal Communications Commission
2100 M Street, N.W., Room 8916
Washington, D.C. 20554

Lee Palagyi
Washington Utilities and Transportation
Commission
1300 South Evergreen Park Drive S.W.
Olympia, WA 98504

Barry Payne
Indiana Office of the Consumer Counsel
100 North Senate Avenue, Room N501
Indianapolis, IN 46204-2208

Michael Pryor
Federal Communications Commission
2100 M Street, N.W., Room 8905
Washington, D.C. 20554

Brian Roberts
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Richard D. Smith
Federal Communications Commission
2100 M Street, N.W., Room 8605
Washington, D.C. 20554

Tejal Mehta
Federal Communications Commission
2100 M Street, N.W., Room 8625
Washington, D.C. 20554

John Morabito
Deputy Chief, Accounting and Audits Division
Common Carrier Bureau
Federal Communications Commission
2000 L Street, N.W., Suite 812
Washington, D.C. 20554

John Nakahata
Senior Legal Advisor
Office of Chairman Reed E. Hundt
Federal Communications Commission
1919 M Street, N.W., Room 814
Washington, D.C. 20554

Kimberly Parker
Federal Communications Commission
2100 M Street, N.W., Room 8609
Washington, D.C. 20554

Jeanine Poltronieri
Federal Communications Commission
2100 M Street, N.W., Room 8924
Washington, D.C. 20554

James Bradford Ramsay
National Association of Regulatory Utility
Commissioners
P.O. Box 684
Washington, D.C. 20044-0684

Gary Seigel
Federal Communications Commission
2000 L Street, N.W., Suite 812
Washington, D.C. 20554

Pamela Szymczak
Federal Communications Commission
2100 M Street, N.W., Room 8912
Washington, D.C. 20554

Lori Wright
Federal Communications Commission
2100 M Street, N.W., Room 8603
Washington, D.C. 20054

Sheryl Todd**
Common Carrier Bureau
2100 M Street, NW
Room 8611
Washington, DC 20554

International Transcription Service*
2100 M Street, N.W.
Room 140
Washington, DC 20037

Telecommunications Reports
1333 H Street, NW
Suite 100 - East
Washington, DC 20005

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CERTIFICATE OF SERVICE

I, Catherine P. McCarthy, hereby certify that on this 10th day of January, 1997, a true and correct copy of the foregoing Reply Comments of Time Warner Communications Holdings, Inc. were served, via First Class Mail or hand delivery, upon each of the parties on the attached service list.

Catherine P. McCarthy
Catherine P. McCarthy

Attorneys for Time Warner
Communications Holdings, Inc.